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In the Matter of) DA 98-715
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) Re:
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service.) CC Docket No. 97-160

Fred Williamson & Associates, Inc. ("FW&A") respectfully submits these Comments in response to the Federal Communications Commission's ("FCC") Common Carrier Bureau (Bureau) Request for Comments in Public Notice DA 98-175 released on April 15, 1998, in the above-styled cause. In this Public Notice the Bureau seeks comments and/or additional proposals for modifying the FCC's methodology for the determination of Universal Service Support funding mechanisms. Additionally, the Bureau seeks comments on the use of a cost-based benchmark for determining support level mechanisms, and also seeks comments regarding the proposals of US West, the Ad Hoc Working Group and TIAP, and the appropriate method and revenues to recover contribution for high cost support.

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DA 98-715
CC Docket No. 96-45
CC Docket No. 97-160

Introduction and Background

FW&A is a telecommunications management consulting organization located in Tulsa, Oklahoma, serving predominantly investor-owned, small, rural, independent telephone companies in Oklahoma, Kansas and Nebraska. All FW&A client companies are currently participants/receivers of existing Universal Service Fund (USF) annual monies, including Dial Equipment Minutes weighting (DEM) and Long Term Support (LTS). All FW&A client companies are substantially less than 200,000 access lines in size. Additionally, FW&A clients are members in, and participants of, the pooling process procedures of the National Exchange Carriers Association (NECA), and they all concur in the Common Line and Traffic Sensitive Interstate tariff schedules and rates filed by NECA.

FW&A, on behalf of its client companies, has been and will continue to be an active participant in CC Dockets 96-45, 97-160, and 80-286 and various related proceedings. Due to client related concerns regarding the issues addressed in these Dockets, FW&A has provided Comments previously in each respective docket and appreciates the opportunity to provide the Comments herein. These Comments are provided from the perspective of our individual rural, sparsely populated and geographically expansive clients to address the specific concerns these companies experience as small rural telecommunications carriers who are providing consumer responsive, technologically innovative and updated services in their respective certificated service areas. We will not, therefore, attempt to address in detail every issue raised for comment in this Public Notice in anticipation of the submission of comments and positions of other parties interested in those issues that more directly affect them.

Our Comments, therefore, are more general in nature and express the valid and legitimate concerns of small rural carriers should the decisions of this Commission in this docket directly, and/or indirectly, create any negative impact upon existing support mechanisms and the associated cash flow derived from such support which these companies have relied upon to provide high quality services to their telecommunications consumers.

Comments

FW&A would suggest that the appropriate emphasis in Docket 96-45, and other related dockets, has been on the larger, non-rural price cap companies and not on the smaller rural companies. Although the emphasis of this and related dockets has been on the larger telecommunications carriers, FW&A continues to urge this Commission to proceed with great caution and consideration as to the potential effects any modifications, changes and/or restructuring of the methodologies for determining the universal support funding mechanisms may ultimately have upon the small rural carriers. FW&A believes, and would stress to this Commission, that clear and significant differences continue to exist in both opportunities and challenges faced by the smaller rural companies as compared to the larger, mainly urban companies.

The proposals which have been submitted to the Commission by US West, the Ad Hoc Working Group and TIAP are completely experimental in nature and are not workable and/or feasible options for the smaller rural companies. The US West and TIAP proposals have the effect of reducing critical and necessary support levels to small carriers. However, if it is determined by this Commission that a change must be made to

the existing funding methodology, FW&A would support the "hold harmless" philosophy contained in the proposal of the Ad Hoc Working Group.

As small companies who serve a very limited, predominately residential, customer base, FW&A client companies, along with other small rural carriers, do not, and will not, have sufficient margins to withstand the application of an experimental costing model to its current operations and methods of receiving universal services support. To date, there have been no costing models put forth that are acceptable for even larger, urban service providers without great risk and experimentation, and the viability of small rural carriers and the high quality of service provided to their respective customers should not be endangered for the sole purpose of finding "the solution".

FW&A cautions that any proposed modifications as to the methodology utilized to determine universal service support should be carefully considered in light of the long term effects, especially to the small carriers. Due to the fragile and volatile nature of the relationship between the high cost of providing service and the limited opportunity to recover such costs, a change to the support levels that is perceived as small and/or minimal can have substantial and greatly magnified negative effects upon small companies. These changes can cause negative revenue impacts and possibly create unrecoverable losses to the small carriers, that when applied to the larger carriers are diminimus in nature. Unlike the larger companies, small companies have little opportunity to recover these revenue losses and may ultimately be forced to institute disproportionate increases in local service rates in order to compensate for the losses created by changes in the support funding levels.

These consequences were not intended by the Act when it required that implicit subsidies be made explicit. This Commission should continue to provide incentive to small rural carriers through stable, unchanging and ongoing support levels which encourage them to continue their investment in infrastructure and new technologies, thus enabling them the ability to provide the same high quality services currently available to rural telecommunications consumers. The focus should not be on the immediate or short term effects of such modifications and/or changes which may be perceived as beneficial to support fund payors, but which is ultimately detrimental to the small carriers' customers.

FW&A strongly supports Chairman Kennard's statements made on April 27, 1998, in an address to the United States Telephone Association ("USTA"), wherein he stated "When it comes to our country's smaller, rural telephone companies...if it ain't broke, don't fix it." Chairman Kennard continued with an example of his visit to a small rural telco, which he found to be a "first-rate telecommunications operation." Chairman Kennard concluded his remarks regarding small rural companies by stating "I see no reason why further small company reform must begin in 2001. We should make changes only when it is right to make changes and not before." (Emphasis added). FW&A would assert that this is not the appropriate time to make changes, and as Chairman Kennard alludes to in his statement, the appropriate time may well be long beyond the year 2001, if ever.

Additionally, FW&A would remind the Bureau and this Commission that the Federal Telecommunications Act of 1996 ("the Act") did not require that the level of universal service support decrease in any manner; but instead required that any and all

implicit subsidies be made explicit. It cannot, and should not, be interpreted from this requirement to make subsidies explicit, that the level of support funding be changed -- especially decreased. To decrease the level of support in a manner that is harmful to the small rural telecommunications providers is blatantly contrary to the black letter language of the Act, as well as its spirit and intent.


The Commission has previously taken such harmful action through the implementation and continuation of the cap on the level of support funding and also with the limitation on corporate overhead expenses. The funding level cap, along with the corporate overhead expense limit, were instituted in a wholly arbitrary manner, with no evidence on the record to justify that either action was necessary, prudent and in the best interest of telecommunications consumers and/or companies.

Conclusion

FW&A respectfully urges this Commission to forego the application of any experimental methodologies with regard to small rural carriers, until at least such time as proven results can be ascertained from data gained by the experiences of larger carriers utilizing a given methodology. Universal service support enables all consumers to be connected to the services, products and offerings of the telecommunications industry, not just through today's technology, but also tomorrow's technology. Through universal service support, small rural carriers have invested, and must continue to invest in future technologies, while continuing to provide consumer responsive, high quality, local service at reasonable rates. It is imperative that in the future, not only must current mechanisms and the support dollars generated therefrom be allowed to continue, but also

that the predictable and stable nature of ongoing support implementation envisioned by the Act be continued. We, therefore, urge the FCC to allow sufficient time for analysis of any changes and/or modifications which may result from this docket as they may be applied to larger carriers, before any similar or related proposals be initiated and/or applied to the smaller rural carriers.

Respectfully submitted,



Marc A. Stone



Kimberly K. Blaylock

Fred Williamson & Associates, Inc.